

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4319
ANSWERED ON:15.12.2000
ADVANCE TAX
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Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that advance tax payment has turned out to be lucrative proposition for some assesseees given the current low rate of interest for term deposits of banks compared to higher interest rate paid in respect of refund by Income-tax authorities, and

(b) the total interest out-go every year paid by income tax authorities on account of refunds for excess advance tax?

Answer

MINISTRY OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a) Where the refund is out of advance tax paid during the financial year immediately preceding the assessment year, statutory interest at the prescribed rate of 1% for every month or part of a month comprised in the period from the 1st day of April of the assessment year to the date on which the refund is granted, is paid to the assesseees under section 244A of the Income-tax Act, 1961 subject to the condition that the amount of refund is not less than 10% of the tax determined under section 143(1) or on regular assessment. Interest at the rate of 1.5% for every month or part of a month is, however, charged from the date of default for deficit payment of advance tax. Thus, interest is paid on refund of excess advance tax at a rate less than what is levied under the Income-tax Act, 1961 in so far as deficit payment of advance tax is concerned.

(b) The interest under section 244A paid by the Income-tax authorities on refund of excess payment of taxes are Rs. 669.36 crores in financial year 1995-96; Rs. 622.13 crore in financial year 1996-97; Rs. 878.87 crore in financial year 1997-98 and Rs. 1727.12 crore in financial year 1998-99.